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BARRON'S COVER

New Heights

The stock market's surge produced a new set of winners. Key figures explain their strategies and outlooks.

By LAWRENCE C. STRAUSS
February 3, 2014

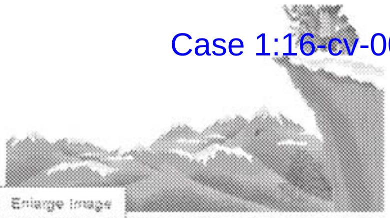
So much for reversion to the mean.

Last year turned out to be a great one for U.S. stocks, with the Standard & Poor's 500 notching a total return of 32.4%, more than double its return a year earlier. The rally had impressive depth and breadth: Small-, mid- and large-company stocks all averaged gains in excess of 30%, though small stocks shined the brightest, with the Russell 2000 up 38.8%. Value stocks drove the biggest gains: The 50 stocks with the lowest price-to-forward earnings ratio in the S&P 500 returned 64%, according to Jeffrey Rubin of Birinyi Associates, a research firm in Westport, Conn. It was a far cry from 2011 and early 2012, when risk-averse investors piled into utility stocks and other dividend-payers. Top performers last year included Walt Disney (ticker: DIS), which returned 55%, and American International Group (AIG), which returned 45%.

So it was a particularly good year for the stockpickers, which helped propel a new crop of fund firms to the top of the *Barron's*/Lipper Fund Family Ranking this year. The 2013 survey's winner is Boston-based Natixis Global Asset Management, an "affiliate" manager of 26 independently run fund companies, best known for the $106 billion Harris Associates, which advises the Oakmark Funds; and the venerable bond shop Loomis Sayles, which has $200 billion in assets.

Sixty-four fund companies qualified for this year's one-year *Barron's*/Lipper Fund Family Ranking. Because U.S. stocks are the largest category and given the highest weighting in the annual ranking, domestic equity fund performance was a big factor in determining who finished where. The one-year weightings: General (U.S.) Equity, 40%; World Equity, 17%; Mixed Asset, 18%; Taxable Bond, 22%, and Tax-Exempt Bond, 3%.

Natixis placed first in the U.S. stock category, its performance helped by managers such as Bill Nygren, who co-manages the $12 billion Oakmark fund (ticker: OAKMX). Natixis, which also has headquarters in Paris (and is owned by the French financial services company of the same name), did not appear in last year's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William Waitzman for Barron's

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Unlike last year's survey, when some of the winners climbed from exceptionally low rankings in 2012, there was less year-to-year volatility among the top finishers. Putnam Investment Management placed second, down one spot from the top spot last year. The Boston firm owes its strong second-place showing to the performance of its U.S. stock funds.

Finishing third is GE Asset Management, which climbed from 14th place in 2013. With a big institutional focus that includes the GE pension fund, the money manager oversees $119 billion, about $25 billion of which is in mutual funds, though these funds are not widely available to the general investing public. (For more on GE Asset Management, see Paul Colonna's profile.) It did especially well in the two equity categories and taxable bonds.

Coming in fourth was Lord Abbett, up from 13th place last year, helped by a good showing in every category except tax-exempt bonds. Placing fifth was Waddell & Reed Investment Management, a subsidiary of Waddell & Reed Financial (WDR), a publicly traded asset manager based in Overland Park, Kan. (It also owns Ivy Investment Management, which came in 11th.) Waddell's strongest result was in the mixed-asset group, which tracks funds that use a combination of stocks and bonds.

For the first time since 2010, all 10 of the S&P 500's industry groups finished in positive territory. But in this business everything is relative, and the top managers had more of a focus on the biggest winners: Consumer discretionary stocks rose 41%; health care, 39%; industrials, 38%; and financials, 33%. Last year's worst sectors were utilities, up 9%, and telecommunication services, which gained 6%.

John Hailer

Company: Natixis Global Asset Management

Title: President and CEO

Total AUM: $838 billion

2013 Ranking: 1

U.S. Retail Funds: 47

Oakmark and Loomis Sayles are two of the most respected fund companies. But mention their parent company, and many U.S. investors would draw a blank.

That's OK with John Hailer, who has played a key role in running Natixis Global Asset Management since 1999. Hailer works out of the firm's Boston headquarters; the French parent company is based in Paris. The firm manages $838 billion globally, about half of it in the U.S. among 26 affiliates—Oakmark and Loomis Sayles make up about 35% of its U.S. assets under management.

Natixis has a centralized, global, fund-distribution arm that sells all its funds and gets them on the right

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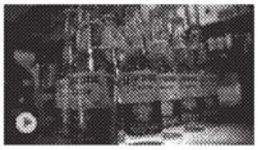

3 Raj Sharma: Investments Are Just One Puzzle Piece

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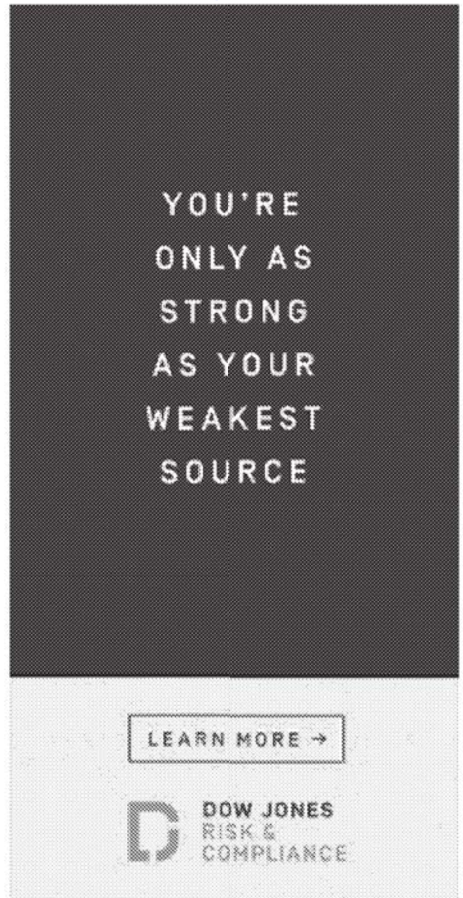
Natixis has a centralized, global, fund-distribution arm that sells all its funds and gets them on the right platforms. That allows the fund-management firms, including Harris Associates (Oakmark's parent), Loomis, and Gateway Investment Advisers, to run their portfolios autonomously. With distribution essentially outsourced, the affiliates "put their resources back into investment talent, technology, and their investment culture."

In a recent interview, Haller was affable, friendly, and funny, at one point characterizing himself as "a young 53." But he is a focused and hard-driving executive intent on growing the firm's business. One of 10 children, Haller grew up in a busy household. "You had to learn to communicate and grow up with diversity" under one roof, he says with a distinctive Boston accent.

And in that crowded, noisy household, Haller learned some rules that still apply to how he runs Natixis. The most important thing to remember, he says, "is your own name, and to treat it with respect."



International stocks didn't do quite as well, though the MSCI EAFE index, which tracks foreign large- and mid-size stocks in the developed world, rose 23%. But one important laggard was emerging-market stock funds, which we included in our survey for the first time in our 2012 survey as part of the World Equity category. (For more on how the rankings are calculated, see "How We Rank the Fund Families".) The MSCI Emerging Markets Index was down 2.6%, as rising interest rates in the U.S. put pressure on emerging-market currencies and their equities, as investors found better opportunities with less risk elsewhere.


Enlarge Image

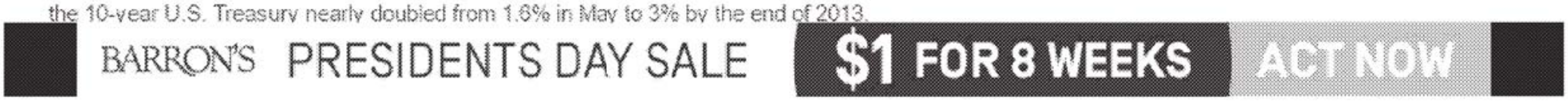
It wasn't about macro calls or stock-picking for one notable exception, though: No. 8 on our ranking is Dimensional Fund Advisors, which has had great success with its quantitative approach of applying academic research to value-oriented investing strategies. (For more on the company, see "A Different Dimension," Jan. 6.) The firm, based in Austin, Texas, was followed by T. Rowe Price, Hartford Funds, First Investors Management, and MFS Investment Management.

Putnam, T. Rowe Price, Hartford Funds, and MFS all finished in the top 10 of the one-year survey for the second year in a row.

A KEY DRIVER FOR THE MARKET in 2013 was investor sentiment, which finally began to shift away from bonds to equities for the first time since the financial crisis. Actively managed stock funds in the U.S. had net inflows of $161 billion last year, the first net inflow for those portfolios since 2007, according to the Investment Company Institute, a trade group representing mutual funds. Conversely, actively managed bond funds had net outflows of $83 billion, reversing a trend that had taken hold since the financial crisis as investors fled to safety.

Heading into 2012, investors were "still focused on wanting to be in fixed income and wanting to avoid equities," says Mike Avery, co-manager of the $3.7 billion Waddell & Reed Asset Strategy fund (UNASX). But "that changed fairly drastically going into '13, as the market did better," he says; "It was a huge change in sentiment."

In terms of performance, fixed-income funds had the roughest go, and one of the best-known bond shops -- you know who we're talking about -- suffered greatly. As the Federal Reserve announced, and then began, the tapering of its bond-buying program, the yield on the 10-year U.S. Treasury nearly doubled from 1.6% in May to 3% by the end of 2013.



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The pressure on bonds hurt industry giant Pimco, which finished 54th in our one-year ranking, just 10 spots from the bottom. Perhaps most telling, the Newport Beach, Calif., behemoth finished 60th in taxable bonds, fourth from last.

In previous years, Pimco was combined with its parent Allianz Global Investors, the German-based firm. This year, however, Lipper looked at the two fund complexes separately, in part because they have different management teams and fund boards. But Allianz did not qualify for the most recent survey because it did not have a municipal-debt fund that met the survey's requirements, according to Jeff Tjornehoj, head of Lipper Americas Research.

Bob Reynolds

Company: Putnam Investments

Title: President and CEO

Total AUM: $150 billion

2013 Ranking: 2

U.S. Retail Funds: 108

After years of mixed results, investment performance is shaping up at Putnam Investment Management, where Bob Reynolds took over as CEO in mid-2008. The firm finished second in this year's one-year ranking, its third top 15 finish in the last four years.

More importantly, Putnam's long-term performance is on the mend. The firm placed No. 2 out of 55 fund families in the five-year survey, which covers Reynolds' tenure at Putnam.

"What we've tried to do, from day one when someone is hired to manage a fund, is that they are held accountable and responsible for the results," says Reynolds, 61, whose accent still bears a trace of his native West Virginia.

The portfolio managers Reynolds has brought in include Nick Thakore, who runs Putnam Voyager and Bob Ewing, who oversees the Putnam Fund for Growth and Income, both of which are in the top 15% of their respective Lipper peer groups based on five-year returns. Thakore and Ewing both worked at Fidelity, where Reynolds served as a senior executive for many years.

Reynolds has also tried to strengthen the equity research team, making it more global and collaborative, with the analysts helping to manage money.

Investors have started to take notice of Putnam's performance. For the first year since 2000, Putnam had a collective net inflow for its retail mutual-fund business last year. "It comes down to having the right people and the right incentive structure and providing them the right resources to perform," says Reynolds.

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One reason for the Pimco's underperformance: the firm's flagship Pimco Total Return fund (PTTAX), managed by Bill Gross, finished the year down 2.06%, near the bottom of its Lipper category. Because the ranking is asset-weighted -- that is, the performance of the funds with the most assets are counted more than those with the least assets -- the $237 billion Total Return dragged down Pimco's performance.

"Our focus always is long-term performance for our clients, to manage risk and to deliver returns for them over a complete market cycle," Pimco said in a prepared statement. Indeed, Pimco ranked first in the five-year ranking, surpassing 54 firms.

Loomis Sayles is a much smaller ($200 billion in assets, total) and quieter firm than Pimco, but vice chairman and veteran manager Dan Fuss, 80, is venerated in the industry. Fuss's management helped propel Natixis to its No. 1 spot overall and in the taxable-bond category. His $22 billion Loomis Sayles Bond fund (LSBRX) and $1.2 billion Loomis Sayles Fixed Income (LSFIX), both finished at the very top of their Lipper categories last year. The bond fund gained 5.8%, while the fixed-income fund was up nearly 7% -- excellent showings in a tough year for bonds. "Individual security selection certainly helped," Fuss says.

On that front, investment-grade corporate bonds such as those issued by Morgan Stanley, Jefferies Group, and Ford Motor also did particularly well. At the end of last year, nearly 16% of Loomis Sayles Bond was in investment-grade corporates.

"There was a general narrowing of corporate [bond] spreads in the investment-grade area," says Fuss, who began his career at the firm in 1976, pushing up prices and helping performance.

High-yield bonds, which returned 7.4% on average, helped buoy Loomis along with other managers. Steven Rocco, a manager of the $2.8 billion Lord Abbett High Yield fund (LHYAX), says that bonds further down the capital structure of companies worked better last year, pointing in particular to bonds rated B and CCC, instead of BB. "You are getting paid for the risk," Rocco says. "Defaults are nonexistent now, and companies are hoarding cash."

Among the holdings that worked in the fund was a high-yield bond issued by First Data with a coupon of 12.625%. It returned 22.3% last year. The fund returned nearly 10% last year, good for a finish in the top 10% of its category.

High-yield holdings also helped the $1.8 billion Lord Abbett Income fund (LAGVX), which finished the year up a mere 0.5%, but outperformed 80% of its peers. The fund is more focused on corporate-bond issues, and "The way you win in investment-grade fixed income is to accumulate a lot of little wins and don't have many disasters," says Andrew O'Brien, a manager of that fund. Lord Abbett's little wins in fixed income led to a third-place finish in the taxable-income category, no doubt helping to secure its fourth-place ranking overall.

Paul Colonna

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Paul Colonna

Company: GE Asset Management

Title: President and Chief Investment Officer

Total AUM: $119 billion

2013 Ranking: 3

U.S. Retail Funds: 7

GE Asset Management is not a typical mutual-fund family. For one thing, it has an institutional focus, which includes the $48 billion pension fund for General Electric. What's more, its $25 billion of mutual-fund assets aren't widely available. The Elfun Funds are open only to GE employees and their families, for example. But retail investors can buy shares of the GE institutional funds directly through LPL or TD Ameritrade.

Paul Colonna says that he and his team expected 2013 to be less volatile than the preceding year, especially as the investors gained confidence. "And we got that," he says. The firm wisely steered away from utilities and telecommunications stocks; those sectors struggled as rates rose and the economy improved.

On the fixed-income side, the firm's portfolio managers found opportunities in sectors that rewarded taking on more credit risk, such as high-yield bonds. "There's decent demand for credit products, and not a lot of net new supply," Colonna says. Even so, he expects another challenging year for fixed income.

Colonna, 45, worked early in his career as a bond-fund manager at Freddie Mac in Washington, D.C., helping to run mortgage portfolios. He joined GE in 2000; nowadays he oversees GE's in-house teams of fixed-income and equity managers. "I want to make sure we continue to bring the groups together," he says. "And ensure we have the right platforms and infrastructure for analytics." Those analytics are telling him to expect a good year for stocks, albeit with more volatility, and not another 30%-plus return.

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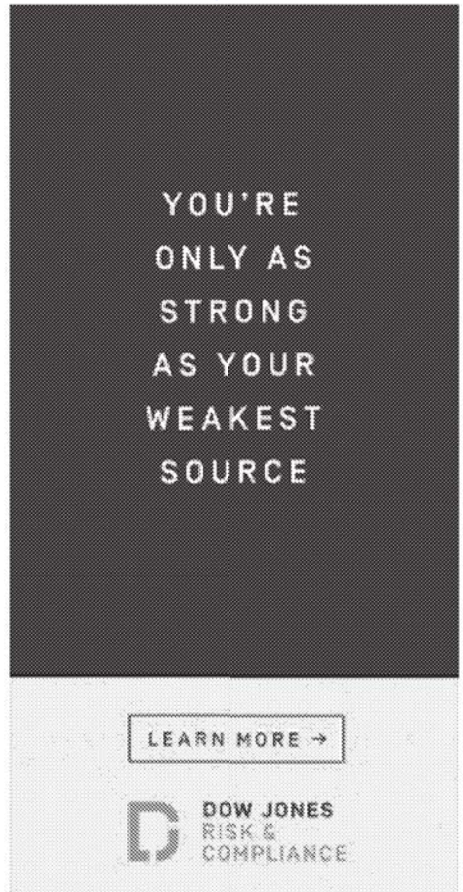


Daria Foster

Company: Lord Abbett

Title: Managing Partner

Total AUM: $137 billion

2013 Ranking: 4

U.S. Retail Funds: 44

When asked about Lord Abbett's strong showing in this year's ranking, Daria Foster says there was no secret sauce.

The key: "It's making sure your focus is on the long term, and that your philosophy is consistently applied," says Foster, who has been the top executive at the closely held money manager since 2007.

Lord Abbett emphasizes fundamental and quantitative research, and pays close attention to risk. "We apply those disciplines every single day," says Foster, 58.

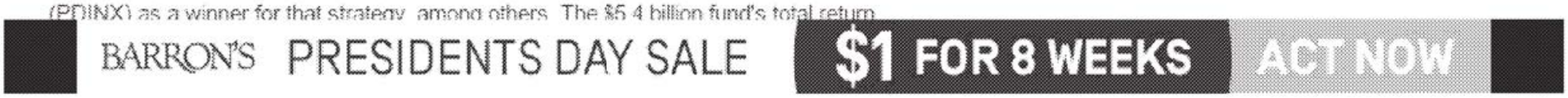
The firm's investment approach has paid off over various time horizons. Lord Abbett finished a very respectable 14th out of 55 fund families in the five-year ranking, and 15th out of 48 firms in the 10-year ranking.

Based in Jersey City, N.J., Lord Abbett is a much different firm than the one Foster joined in 1990 as director of fixed-income marketing. She was then charged with building up the firm's $2 billion institutional business. It has since grown to $32 billion.

Named partner in 1996, Foster helped to expand the firm's fund lineup, eventually overseeing retail fund distribution in 2005. In those early days, she recalls, the asset manager was known more as a large-company value manager. It began adding international stock funds in 2003. Nowadays, about two-thirds of Lord Abbett's assets are in fixed-income funds. The firm recently added two emerging-market debt funds, but Foster is quick to add, "We are not trying to be all things to all people."

There may be no secret sauce, but Lord Abbett does appear to have a recipe for investment success.

Leveraged loans, up 5.3%, were another bright spot, as were certain mortgage securities that benefited from rising rates. "As rates moved higher, the probability of refinancing dropped sharply," explains Bill Kohli, co-head of fixed income at Putnam. That helped securities such as agency-backed collateralized mortgage obligations, including those structured to pay only interest to bond holders. "As refinancing risk goes down, those securities go up in value," Kohli says, who points to Putnam Diversified Income Trust (PDINX) as a winner for that strategy, among others. The $5.4 billion fund's total return



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Of the top five firms for 2013, Waddell & Reed ranked the lowest (18th) in the U.S. equity category, but the highest (8th) in tax-exempt bond funds. Putnam came in 28th for the municipal-bond category, while Natixis, GE, and Lord Abbett all ranked around the 50th percentile. Waddell's high ranking in the municipal-bond category is truly a case of relative performance winning out. The $731 million Waddell & Reed Municipal High-Income fund (UMUHX), which makes up about half its assets in high-yield municipal debt, lost 3.8% last year, but still finished in the top 10% of its category.

BUT ULTIMATELY, 2013 was driven by stock-pickers. "We went into [2013] thinking that stocks were a lot cheaper than bonds," says Bill Nygren, the well-regarded value manager with Chicago-based Harris Associates, a Natixis firm. Nygren's Oakmark fund returned 37.4% last year, placing it in the top 4% of its Lipper peer group. "We were helped by what we didn't own and what we owned more of," he says. The theme of safer, dividend-paying stocks such as utilities looked long in the tooth and too expensive, Nygren adds, and sectors such as technology, financials, and industrials "looked like they had a better opportunity." They did. Some of the fund's better performers last year were Principal Financial Group (PFG), with a total return of 77%; FedEx (FDX), which gained 58%; and MasterCard (MA), with a total return of 71%.

David Herro runs the $28.8 billion Oakmark International fund (OAKIX). With a total return of 29.3%, the fund bested 97% of the funds in its Lipper group, no doubt helping propel Natixis to the No. 2 spot for the World Equity category.

The key to that fund's performance? "Getting exposure to Japan and being extremely overweight [there] at the beginning of the year, and having a moderate overweight in global financials," Herro says. The Nikkei finished 2013 up nearly 60% in local currency. "If you weren't exposed there, that hurt you," recalls Herro, who says his weighting in Japanese stocks peaked last year at about 25%, some seven percentage points more than the fund's benchmark, the MSCI World ex-U.S. Index. Stocks that helped the fund's performance included Daiwa Securities (8601.Japan), Toyota Motor (7203.Japan), and Credit Suisse (CSGN.Switzerland), all of which gained more than 25% last year.

THE TWO NATIXIS GEMS -- Oakmark and Loomis Sayles -- have always been consistent performers. But the comeback story is still No. 2-ranked Putnam. In the last two years, Putnam has made a big climb under Bob Reynolds, a longtime Fidelity executive who took over the then-struggling firm in July 2008. After finishing near the bottom of our ranking two years ago, Putnam shot up to No. 1 last year, propelled by very strong performances in U.S. and world equities, and both bond categories. This year's second-place ranking reflected another strong showing across all categories -- second in U.S. equity, ninth in World Equity, 15th in Mixed Equity, seventh in taxable bonds and 28th in municipal bonds.

A big lift to Putnam's U.S. equity ranking came from one of its flagship funds, Putnam Voyager, whose 2013 total return of 44.3% outperformed 97% of its Lipper peers. "There was no magic bullet; it was about broad-based stock-picking," says Nick Thakore, manager of the Putnam Voyager fund (PVOYX).

While getting into the right sectors was important, Thakore says, that wasn't what drove

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While getting into the right sectors was important, Thakore says, that wasn't what drove overall performance. "We didn't get most of our outperformance as a group by betting on those sectors." And it helped to underweight or avoid big-name disappointments such as International Business Machines (IBM), whose stock fell 2% last year. The fund's best performers included Facebook (FB), which more than doubled last year; Best Buy (BBY), which appreciated more than 200%, and Delta Air Lines (DAL), which climbed more than 100%.

Putnam also acquitted itself well in the mixed-asset category, in which portfolio managers earn their stripes by making the right decisions based on their weightings of stocks, bonds, and cash.

"Our bread and butter is to utilize diversification," says Rob Schoen, co-head of the Global Asset Allocation Group at Putnam. "But last year was a dangerous year to be leaning heavily on diversification."

So last year, in portfolios like the $1.8 billion Putnam Dynamic Asset Allocation Growth fund (PAEAX) and the $1.4 billion Putnam Dynamic Asset Allocation Balanced fund (PABAX), Schoen and his colleagues were overweight equities and, concerned about rising interest rates, underweight U.S. Treasuries. They also saw better opportunities in sectors such as high yield, helping to boost performance in those funds, both of which finished in the top 15% of their respective peer groups, with the growth fund gaining 25% and the balanced fund up 19%.

Another special mention goes to MFS Investments. A consistent performer in our survey lately, MFS placed in the top 10 in each of the past three years -- a feat no other fund company has achieved in several years. Its No. 10 rank for 2013 was due in large part to finishing sixth in U.S. equities, thanks to the $30.3 billion MFS Value fund (MEIAX). Ranked in the top 10% of its peer group, the fund had a total return last year of 35.8%. One of the fund's managers, Steven Gorham, attributes its strong showing to seeds that were planted from 2010 through 2012, and even earlier in some cases.

One stock that helped the portfolio was Lockheed Martin (LMT), a large defense contractor whose total return was 68%. Other good calls included Viacom (VIAB), up 68%, and Honeywell (HON), which gained 47%. The fund, says Gorham, tries to focus on "downside protection for our clients" while participating in up markets, though not necessarily beating them. Last year, it did both.

THE BOTTOM-RANKED fund families were a mixed bag of poor performance and poor relative performance. Finishing 60th, four places from the bottom, was State Street Bank & Trust, which was especially hurt by poor showings in U.S. Equity, World Equity, and the balanced-fund category. The bottom four finishers were BMO Asset Management, Wilmington Funds, State Farm Investment Management, and FolioMetrix.

Craig Rawlins, chief investment officer of BMO Global Asset Management, quibbled with Lipper's decision to put the BMO Large Cap Value (MLVIX) and the BMO Large Cap Growth (MLCIX) funds into multi-asset categories instead of value and growth, respectively. Though both funds are tiny, with little more than $200 million in assets for each, they're large relative to BMO's other funds, and their return of 34% (each) in 2013 could have nudged the firm a ever-so-slightly higher.

Hank Herrmann

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Hank Herrmann

Company: Waddell & Reed Financial

Title: CEO and Chairman

Total AUM: $28 billion

2013 Ranking: 5

U.S. Retail Funds: 20

Hank Herrmann, the CEO of Waddell & Reed Financial, wears many hats: chief executive of a publicly traded company, macro strategist, and chairman of the investment policy committee.

But his true colors emerge during the firm's daily morning meeting when the investment team gathers to hash out ideas. Skeptical, focused, and curious, Herrmann likes to probe and ask questions, just another analyst trying to come up with investment ideas. After all, that's how he started at Waddell: Herrmann, 71, grew up on Long Island and worked on Wall Street in the 1960s, before moving to the Midwest to work for Waddell & Reed in 1971 as a technology analyst.

Looking back on 2013, Herrmann says he expected stocks to return 7% or 8%, their historical average. Despite the big rise, "stock-picking was important," he says. "We have some 80 people focused on bottoms-up research, and that paid off."

Waddell & Reed Financial is parent to Waddell & Reed Investment Management, which finished fifth in our one-year table, thanks to a solid showing across all five categories. W&R funds are sold through the company's network of financial advisors. Waddell & Reed Financial is also parent to Ivy Investment Management, which is ranked separately, coming in at No. 11 this year. Ivy has $72 billion in 32 funds, many of which mimic those offered by Waddell.

In all, the fund complex oversees assets of $128 billion, much smaller than other publicly traded firms such as BlackRock, whose assets total $4.2 trillion, as well as the other four top performers. But that's fine with Herrmann. "Bigger is not better in the asset-management business," he says. "You can lose a lot of flexibility."

What's more, the BMO Mid-Cap Growth fund (MRMSX) last year did not hold highflying stocks such as Netflix (NFLX), Tesla Motors (TSLA) or LinkedIn (LNKD) because those companies "either don't meet our criteria or have valuations that we think are high relative to what they offer," says Rawlins. As a result, the fund returned 29%, trailing 90% of its category.

Samuel Fraundorf, president of Wilmington Trust Advisors, notes that the Wilmington Large Cap Growth fund (VLCPX) has about 70% of its assets in large-company names, with the remainder in midsize stocks, which hurt relative performance, he says. And the Wilmington Multi-Manager International fund (MVIEX) was hampered by its 33% stake in emerging markets in the first half of last year.

Scott Hintz, assistant vice president of mutual funds at State Farm, says "while we participated in the market gain, we were not surprised at all" when told of that fund family's results. "It comes down to what worked in this market environment. And what didn't work was a high-quality, conservative risk profile [that we use in our funds]."

For example, the State Farm Growth fund (STFGX) returned 27% last year, but it trailed more than 80% of its peers in Lipper's large-cap core equity category. The fund was

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For example, the State Farm Growth fund (STFGX) returned 27% last year, but it trailed more than 80% of its peers in Lipper's large-cap core equity category. The fund was underweight technology, consumer cyclical, and financials, hurting its relative performance.

Whether a more-conservative approach to portfolio management works in 2014, after two straight years of outsize returns with other strategies, will be one of the key factors in deciding next year's *Barron's*/Lipper Fund Family Ranking

How We Rank the Fund Families

To qualify for the *Barron's*/Lipper fund survey, a group must have at least three funds in Lipper's general U.S.-stock category, as well as one in world equity, which combines global and international funds. (Last year was the first time we included the performance of emerging-market funds in the world-equity category, though fund companies are not required to offer one.) We also require at least one mixed-asset (or balanced) fund, which holds stocks and bonds. Fund shops also must have at least two taxable-bond funds and one tax-exempt offering.

Each fund's returns are adjusted for 12b-1 fees, which are used for marketing and distribution expenses. Funds typically factor these fees into returns, which better reflects the returns investors would see after these annual fees have been deducted. But our aim is to measure the manager's skill, uncomplicated by expenses. Fund loads, or sales charges, aren't included in the calculation of returns, either.

Each fund's return is measured against those of all funds in its Lipper category (such as small-value). That leads to a percentile ranking, with 100 the highest and 1 the lowest, which is then weighted by asset size relative to the fund family's other assets in its general classification. If a family's biggest funds do well, that boosts its overall ranking; poor performance in the biggest funds can hurt a firm's ranking.

Finally, the score is multiplied by the weighting of its general classification, as determined by the entire Lipper universe of funds. The category weightings for the one-year results: general equity, 40%; world equity, 17%; mixed-asset, 18%; taxable bond, 22%; and tax-exempt bond, 3%. The category weightings for the five-year results: general equity, 42%; world equity, 16%; mixed-asset, 18%; taxable bonds, 21% and tax-exempt bonds, 3%. The category weightings for the 10-year results: general equity, 44%; world equity, 15%; mixed-asset, 17%; taxable bonds, 20%; and tax-exempt bonds, 4%.

The scoring: Say a company has a fund in the general U.S. equity category that has $500 million in assets and that it accounts for half of the company's assets in that category. Its ranking is the 75th percentile. The first calculation would be 75 times 0.50, which comes to 37.5. That score is then multiplied by 40%, general equity's overall weighting in Lipper's universe. So it would be 37.5 times 0.4, which equals 15. Similar calculations are done for each fund in our study. Then, all the numbers are added up for a total score. The fund shop with the highest score wins, both for every category and overall. The same process is repeated for the five- and 10-year rankings based on their weightings.

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NEWEST OLDEST

KENNETH CUSICK Feb 10, 2014

I find the value in these articles is in bringing fund families with consistent performance to my attention for future research. Before everyone pillories all load funds try and remember Barron's is also read by advisors and registered reps. Not everyone has the time or aptitude to direct their own investments. Many people rely on advisors to help direct their investments. The lack of accounting for front end loads would only be significant for the 1 year returns, fading to only minor significance at 10 years +.

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James H Ogburn Feb 8, 2014

And one more thing..... Research shows that "investors" who chase the latest outperforming funds actually experience investment underperformance; i.e., because they buy only after a fund "beats the market," they will underperform the market in ensuing periods because the stars of one year often turn into the laggards of the next year(s).

As a Barron's subscriber, I'm offended by this kind of article. I was born at night but not last night. If you want to see an example of valuable insight, read Jason Zweig's "Intelligent Investor" weekly column in the Saturday issues WSJ. This week's column as well as the accompanying WSJ video discussion is worthwhile and sheds light, not heat to the discussion.

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Craig Bradley Feb 8, 2014

VALUE AND LOW FEES HARD TO BEAT

Load and No-load fund families should have been separated-out in this annual review, although it would have made the article a bit longer as a result. There is little to gain from paying a load. There are a great many no-load funds out there with average or even low (Vanguard) management fees.

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Fees and loads really hold down long term total return, particularly over very long holding periods (20 years or more). Also, it is said that over the same 20 year period, value funds (small and large cap, domestic and international) produce slightly higher returns on the average with less volatility (risk) compared to the other investment styles. Some fund families pay their in-house financial advisors a commission to sell their own funds, compared to outside funds. Often, you can do better.

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PAUL LEVEILLE Feb 8, 2014

I read your special report, best mutual fund families. I gave your report much consideration until I read the brief article about how you rank the fund families. The old saying that the devil is in the details was never more true than in this report. One sentence in the article about how you rank the fund families said it all. Fund loads, or sales charges, aren't included in the calculations of returns, either. This is a very misleading report and should not have been published since you did not include most of the costs.

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M B BLUM Feb 8, 2014

Was performance corrected for loads paid? I think not. Do people who turnover their money to a fund family switch fund families? I think not. Do people who do not use a financial adviser invest in funds according to fund families? I think not.

So who is this article directed to? Could it be financial advisers who do not take their fiduciary responsibility seriously enough to put their customers financial interests over their own? For them, Barron's is performing a service.

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Ivy Funds Wind Their Way to the Top of the 10-Year List

Ivy Investment Management, a subsidiary of Waddell & Reed Financial, has a strong long-term record. MFS also appears in the top 10 of all lists.

Rank	Family	Weighted Score
1.	Ivy Invst Mgmt	77.73
2.	MFS Invst Mgmt	77.36
3.	Invesco	77.33
4.	Waddell & Reed Invst Mgmt	73.46
5.	John Hancock Group	71.99
6.	T Rowe Price Associates	71.44
7.	MainStay Funds	71.31
8.	JPMorgan	70.33
9.	Delaware Mgmt	69.36
10.	RidgeWorth Funds	69.33
11.	Vanguard	68.48
12.	Wells Fargo Funds Mgmt	67.47
13.	Columbia Mgmt Co	67.12
14.	Eaton Vance Mgmt	67.01
15.	Lord Abbett & Co	66.56
16.	Franklin Templeton	66.43
17.	American Funds	66.02
18.	Prudential Invsts	65.99
19.	Fidelity Mgmt & Research	61.87
20.	Principal Mgmt	61.12
21.	Federated Investors	60.00
22.	BlackRock	59.88
23.	Dimensional Fund Adv	58.71
24.	Oppenheimer Funds	56.50
25.	Goldman Sachs & Co/GSAM	56.12
26.	Nuveen Fund Adv	55.88
27.	Virtus Invst Partners	54.31
28.	Hartford Funds	53.71
29.	AllianceBernstein	52.66
30.	American Century Invst Mgmt	52.06
31.	Pioneer Invst Mgmt	51.93
32.	Putnam Invst Mgmt	49.22
33.	Wilmington Funds	48.97
34.	Northern Trust Invsts	48.70
35.	Legg Mason	47.86
36.	GE Asset Mgmt	47.68
37.	Charles Schwab Invst Mgmt	46.69
38.	First Investors Mgmt	46.37
39.	USAA Asset Mgmt	41.93
40.	State Farm Invst Mgmt	41.75
41.	DWS Invsts	41.58
42.	Nationwide Fund Adv	40.61
43.	BNY Mellon/Dreyfus	40.09
44.	UBS Global Asset Mgmt	39.30
45.	Russell Invst Group	35.93
46.	PNC Funds	35.78
47.	Calvert Investments	33.59
48.	SEI Group	31.76

Source: Lipper

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Pimco Suffers in the One-Year Ranking, but Comes Out on Top for Five Years

The famed bond-shop demonstrates much stronger relative performance over longer periods. Putnam ranks second in both one-year and five-year listings.

Rank	Family	Weighted Score
1.	Pimco	77.35
2.	Putnam Invst Mgmt	76.25
3.	T Rowe Price Associates	74.01
4.	Delaware Mgmt	69.26
5.	Ivy Invst Mgmt	67.67
6.	Oppenheimer Funds	64.81
7.	Invesco	64.69
8.	Affiliated Managers	63.39
9.	Waddell & Reed Invst Mgmt	61.77
10.	MFS Invst Mgmt	60.96
11.	Legg Mason	60.78
12.	JPMorgan	60.67
13.	Franklin Templeton	60.10
14.	Lord Abbett & Co	59.22
15.	Nuveen Fund Adv	59.10
16.	John Hancock Group	59.01
17.	Dimensional Fund Adv	58.83
18.	Hartford Funds	58.02
19.	TIAA-CREF	57.40
20.	AllianceBernstein	57.05
21.	Wells Fargo Funds Mgmt	57.03
22.	MainStay Funds	56.40
23.	Goldman Sachs & Co/GSAM	55.69
24.	Vanguard Group	55.29
25.	USAA Asset Mgmt	55.05
26.	Fidelity Mgmt & Research	54.68
27.	Principal Mgmt	54.35
28.	Virtus Invst Partners	54.27
29.	First Investors Mgmt	53.98
30.	RidgeWorth Funds	53.97
31.	Charles Schwab Invst Mgmt	53.50
32.	Columbia Mgmt	53.18
33.	Guggenheim Invsts	53.03
34.	American Funds	52.83
35.	UBS Global Asset Mgmt	50.14
36.	Prudential Invsts	49.44
37.	BlackRock	47.58
38.	Russell Invst Group	46.81
39.	Eaton Vance Mgmt	46.09
40.	PNC Funds	45.87
41.	SEI Group	45.37
42.	Thrivent Fin for Lutherans	44.55
43.	GE Asset Mgmt	43.25
44.	Northern Trust Invsts	43.19
45.	Pioneer Invst Mgmt	42.85
46.	Manning & Napier Adv	41.45
47.	BNY Mellon/Dreyfus	40.17
48.	American Century Invst Mgmt	38.92
49.	Nationwide Fund Adv	37.68
50.	Federated Investors	37.60
51.	DWS Invsts	36.78
52.	Wilmington Funds	35.52
53.	Calvert Invsts	35.04
54.	Frost Invst Adv	32.66
55.	State Farm Invst Mgmt	19.74

Rank	Family	Mutual Fund Assets (bil)	Weighted Score	FUND RANKING U.S Equity	World Equity	Mixed Asset	Taxable Bond	Tax-Exempt Bond	Phone
1.	Natixis Global Asset Mgmt	$141.24	89.30	1	2	2	1	49	800-862-4863
2.	Putnam Invst Mgmt	58.81	80.49	2	9	15	7	28	800-225-1581
3.	GE Asset Mgmt	18.25	77.37	5	3	13	8	48	800-242-0134
4.	Lord Abbett & Co.	108.93	71.18	11	23	14	3	56	888-522-2388
5.	Waddell & Reed Invst Mgmt	23.59	67.86	18	19	3	12	8	888-923-3355
6.	Dimensional Fund Adv	207.02	65.15	3	28	34	31	37	*
7.	T Rowe Price Associates	489.16	63.87	9	43	6	35	12	800-638-5660
8.	Hartford	63.07	63.80	4	12	48	27	26	888-843-7824
9.	First Investors Mgmt	7.76	63.41	10	52	1	33	27	800-423-4026
10.	MFS Invst Mgmt	159.08	62.20	6	33	24	24	52	800-225-2606
11.	Ivy Invst Mgmt	63.59	60.85	52	18	4	5	39	800-777-6472
12.	Northern Trust Invsts	39.23	60.80	25	31	9	19	41	800-595-9111
13.	TIAA-CREF	84.27	59.81	19	10	8	48	64	800-223-1200
14.	Oppenheimer Funds	193.93	58.87	38	4	20	17	61	800-225-5677
15.	Guggenheim Invsts	28.71	58.76	22	55	5	14	60	800-888-2461
16.	USAA Asset Mgmt	47.77	58.22	12	32	60	11	9	800-531-8722
17.	PNC Funds	2.71	58.12	26	1	28	50	30	800-551-2145
18.	Charles Schwab Invst Mgmt	53.74	57.49	16	24	18	51	11	800-435-4000
19.	Fidelity Mgmt & Research	1179.52	56.83	21	6	40	37	17	800-544-8544
20.	Pioneer Invst Mgmt	35.27	56.30	29	29	17	22	63	800-225-6292
21.	Goldman Sachs & Co/GSAM	83.68	56.16	46	14	12	20	46	800-621-2550
22.	Federated Investors	50.49	56.00	37	35	11	23	38	800-245-5051
23.	Frost Invst Adv	2.79	55.99	56	59	7	2	3	877-713-7678
24.	JPMorgan	237.80	55.92	14	53	29	18	34	800-480-4111
25.	AllianceBernstein	51.85	55.42	7	40	45	41	32	800-221-5672
26.	American Funds	1128.58	53.54	27	15	32	44	6	800-421-0180
27.	BlackRock	657.45	53.35	40	22	22	30	18	800-474-2737
28.	MainStay Funds	59.11	53.22	17	51	16	52	36	800-624-6782
29.	Nuveen Fund Adv	38.15	52.87	41	45	44	9	23	800-257-8787
30.	Franklin Templeton	377.41	52.63	53	20	42	4	51	800-342-5236
31.	Invesco	208.22	51.95	13	38	33	54	22	800-983-0903
32.	Delaware Mgmt	36.18	51.31	28	8	19	63	54	800-523-1918
33.	John Hancock Group	$150.60	51.13	33	16	52	21	57	800-225-5291
34.	Transamerica Asset Mgmt	13.33	50.29	39	26	56	13	2	800-851-9777
35.	Neuberger Berman Mgmt	32.48	50.15	50	41	10	28	44	800-877-9700
36.	Vanguard Group	1992.18	49.45	23	49	30	46	14	800-662-7447
37.	Eaton Vance Mgmt	76.50	48.81	49	11	25	39	58	800-262-1122
38.	UBS Global Asset Mgmt	11.78	48.01	20	54	26	56	31	888-793-8637
39.	BNY Mellon/Dreyfus	65.77	47.60	30	57	43	26	29	800-645-6561
40.	DWS Invsts	37.60	47.56	32	27	47	43	43	800-621-1048
41.	Prudential Invsts	44.88	46.64	55	30	46	15	33	800-225-1852
42.	Legg Mason	106.16	46.48	42	56	23	32	47	800-221-4268
43.	Principal Mgmt	131.52	46.07	45	46	36	25	55	800-222-5852
44.	Genworth Fin'l Wealth Mgmt	3.45	45.54	8	58	51	62	45	888-278-5809
45.	Columbia Mgmt	158.38	45.35	36	48	37	45	16	800-345-6611
46.	SEI Group	34.39	45.20	24	34	63	40	40	800-342-5734
47.	Nationwide Fund Adv	18.70	45.12	54	13	35	53	5	800-848-0920
48.	Manning & Napier Adv	21.18	44.74	61	36	38	16	1	800-466-3863
49.	Wells Fargo Funds Mgmt	109.25	44.56	44	42	41	47	13	800-222-8222
50.	Affiliated Managers Group	87.88	44.32	57	44	54	10	53	800-548-4539
51.	RidgeWorth Funds	22.55	43.90	47	25	39	59	15	888-784-3863
52.	Russell Invst Group	45.26	43.70	34	17	62	57	7	800-787-7354
53.	Calvert Invsts	9.49	43.44	59	7	53	29	50	800-368-2745
54.	Pimco	538.27	43.03	15	47	59	60	35	888-877-4626
55.	Virtus Invst Partners	32.09	42.61	62	63	31	6	25	800-243-4361
56.	American Century Invst Mgmt	105.75	41.93	58	5	50	55	42	800-345-2021
57.	Thrivent Financial for Lutherans	15.95	41.47	51	60	21	38	24	800-225-5225
58.	Lazard Asset Mgmt	21.54	40.59	60	21	27	61	4	800-823-6300
59.	Schroder Invst Mgmt N.America	2.98	39.65	31	37	58	58	62	800-464-3108
60.	State Street Bank & Trust	79.59	39.53	48	50	57	36	10	800-997-7327
61.	BMO Asset Mgmt	5.94	39.09	35	61	49	49	21	800-982-8782
62.	Wilmington Funds	3.18	35.95	43	64	64	34	20	800-336-9970
63.	State Farm Invst Mgmt	14.88	26.27	63	39	55	64	19	800-447-4930
64.	FolioMetrix	0.12	17.93	64	62	61	42	59	800-773-3863

*No 800 phone number; available only through advisors

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